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From Administrative to Strategic Human Resource Management: A Case Study of Factors Affecting the Transformation

Master's Thesis

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<p>In the global technology fueled world, competition for suitable talent is constantly increasing. When companies are to increasing extent producing services rather than physical goods, talent is becoming the main scarce resource. This development calls for human resources functions to become a more strategic and central function in organizations.</p> <p>Although the new strategic and more central role for HRM is clearly called for, it is not easy to achieve. Most companies try to make their HR function strategic but fail in the transformation process. This study aims to understand what factors make or break the Strategic HRM transformation process.</p> <p>The study is conducted as a qualitative single case study. The study's aim is to get a deep understanding of HRM transformation in a case company context and identify possible issues and success factors affecting the HRM transformation project in an organization. The study also analyzes and compares these issues and success factors to HRM and strategy implementation literature.</p> <p>The first theoretical contribution of this study is a new framework for assessing the current and target role of HRM in an organization. The framework offers a systematic way for managers to understand the progress of their HRM transformation and direction. The framework is a key measurement tool for Strategic HRM transformation project.</p> <p>The second theoretical contribution of this study is to propose that prior HRM literature may have overlooked organization's role in HRM transformation process. The key issues and factors affecting HRM transformation were found to be more related to the whole organization, rather than just the HR function. This finding suggests, that making HRM strategic should be an organization level project.</p>		
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<p>Globaalissa ja teknologiakeskeisessä yhteiskunnassa kilpailu kyvykkyyksistä on jatkuvassa kasvussa. Kun yritykset rakentavat enenevässä määrin palveluita kuin fyysisiä tuotteita, kyvykkyyksistä on tulossa kaikkein tärkein niukka resurssi. Kyvykkyyksien merkityksen kasvu tarkoittaa sitä, että henkilöstöhallintoyksiköiden tulee muuttua yrityksissä strategisemmiksi ja keskeisemmiksi.</p> <p>Vaikka HR-yksiköiden uusi strategisempi ja keskeisempi rooli on selvästi perusteltu ja toivottu, sen saavuttaminen on osoittautunut olevan haastavaa. Monet yritykset yrittävät tehdä HR-yksiköistä strategisia, mutta epäonnistuvat muutosprosessissa. Tämä tutkimus pyrkii ymmärtämään, mitkä seikat mahdollistavat tai estävät HR:n transformaation strategiseksi kumppaniksi.</p> <p>Tämä tutkimus on tehty kvalitatiivisena yhden kohdeyrityksen tapaustutkimuksena. Tutkimuksen tavoitteena on luoda kokonaisvaltainen ymmärrys HR:n muutoksesta strategiseksi kohdeyrityksen kontekstissa ja identifioida mahdollisia esteitä ja mahdollistajia muutosprosessissa. Havaittuja seikkoja peilataan HR-kirjallisuuteen sekä yleiseen strategian implementointi -kirjallisuuteen.</p> <p>Tämän tutkimuksen teoreettinen kontribuutio on uusi viitekehys HR:n nykyisen ja tavoiteroolin tunnistamiseen. Viitekehys tarjoaa systemaattisen tavan seurata ja ymmärtää HR:n nykytilaa sekä HR:n tavoiteroolia. Viitekehys toimii tarvittaessa jatkuvassa käytössä HR:n muutosprosessissa muutoksen onnistumisen mittarina.</p> <p>Tutkimuksen toinen teoreettinen kontribuutio on ehdottaa, että aikaisempi HR-kirjallisuus on todennäköisesti aliarvioinut organisaation roolia HR-yksikön muutosprosessissa. Merkittävimmät HR:n muutosprosessin onnistumiseen vaikuttavat tekijät koskivat HR:n ulkopuolista organisaatiota itse HR-yksikön sijaan. Tämä löydös viittaa siihen, että HR:n muutos strategiseksi kumppaniksi pitäisi nähdä yrityksissä organisaatiotason muutoksena, eikä HR-yksikön sisäisenä projektina.</p>		
Avainsanat: HR, Henkilöstöhallinto, Strateginen HR, Strateginen henkilöstöhallinto, henkilöstöjohtaminen		Julkaisukieli: englanti

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1 INTRODUCTION

In the face of growing global competition and rapid technological change, talent is becoming the most important resource for any organization. An organization's success is to a constantly increasing extent linked to its ability to manage its human capital: acquire, maintain and develop talent. This fast shift in importance of human resources (HR) is calling for human resource function to step up its game. Human resources function (HR function) needs to become a strategic player in the organization, taking part in company level decision-making and business strategy development. The focus of the HR function needs to shift from administrative issues to fostering organizational learning and capability development. At the same time, the whole organization needs to get truly involved and interested in human resources management (HRM), the new success factor of organizations.

Since the mid 1990's, HRM literature has signaled the rising importance of HRM and HR function's new justified role as a strategic business partner. Both researchers and practitioners have provided evidence between company performance and strategic HRM practices, and a general demand for change in HR unit's role has been observed across organizations. In light of the evidence, the rather marginal adoption of strategic human resource management (SHRM) practices has surprised the academic world. The question remains: even with good intentions, why are HR functions not achieving the strategic role as intended?

Although many organizations see the importance of Strategic HRM and commit resources for the HRM change, they fail in the transformation process. HR functions does not achieve its intended role, or the intended role ends up being unsuitable for the organization. Most of the research focuses on defining HR function's more strategic role and its effect on an organization (Becker & Huselid 2006), while the transformation process itself is left with little attention (Dyer 1996).

The traditional role of HR function is buried in administrative work with no sight to business or strategy. To bring Strategic HRM thinking to the organization, the traditional administrative HR function needs to become strategic while shedding at least

most of its administrative role. The implementation of SHRM has received little attention in the literature, although it seems to be a key issue in companies which seem to be continuously failing to develop their HR function to be strategic. In this study, the following research question was posed: *How to transform HRM to Strategic HRM successfully?* To address this question, an empirical study was conducted. The empirical study follows a single case study design.

This thesis is structured as follows: First, this introductory section sets the background for research and presents the theme briefly. In the literature section an overview of HRM, SHRM and HRM transformation literature is presented. In the research method section the case company and research methods are introduced. In the findings section all the results gathered from the empirical study are presented and analyzed. Finally, in the discussion section the findings are interpreted and compared to the existing literature. As a result of this study three propositions are presented and future research topics are identified.

1.1 Background for Research

The business environment is and has been under constant change. In the current era, the pace of change is only expected to accelerate. Some of the megatrends that have and will continue to affect the current business environment are described as *globalization*, *technology development* and *shift from products to services*.

Globalization has made all markets and accessible resources in the world available for everybody through increased mobility and access. This has increased and will continue to increase the level of competition, when isolated local markets slowly disappear. Globalization has also made the competition for scarce resources even fiercer, when the access to them is not restricted to certain geographically restricted pool of companies.

Technology development has changed the business world in multiple ways. Operational efficiency has increased as many trivial work functions have been automatized. With the increased efficiency and removal of repetitive work, the work left for humans has become more demanding. The needed skillsets tend to combine industry specific skills combined with technology skills, when all work is becoming to some extent

related to technology. Technology has also contributed to increased globalization, diminishing the significance of geographical distances by introduction of interactive communication tools.

Shift from products to services is an undoubted trend across industries (Beechler & Woodward 2009). Human work is in general starting to focus on knowledge-based services. In developed countries, nearly 80% of work is in the service sector (Jim Spohrer et al. 2007). This shift is also derived from technological advancements, which enable the production of physical products with considerably smaller amount of human resources.

In order for companies to survive and thrive in the new environment, rapid change is required. According to Bartlett & Ghoshal (2002), the keys to success in the current game are speed, flexibility and constant self-renewal. While these factors seem independent to each other, they are actually derived from the same source: motivated and skilled workforce.

Behind all business competition is a race to acquire the key resources required for success. According to a very popular Resource Based View to competitive advantage, sustained competitive advantage is only achieved through resources which are valuable, rare, inimitable and non-substitutable (Barney 1991). The resources competed for have changed throughout the years, and they can be tangible (e.g. money, production equipment, land, contracts, licenses) or intangible (e.g. organization culture, knowledge, trust).

The key resources in organizations have shaped the structure of organization. 1970's funding crisis was the major event that brought up that transformed CFO from "bean-counter" to a highly strategic ally to the CEO (Zorn 2004). CIO has seen his role change in previous years as technology has become the essential to success for most companies (Chun & Mooney 2009). CFOs and CIOs have been made important by the change in the business environment.

In the current era, a fight for new scarce resource is going to shape the structures of organizations: "The war for talent". As all previously listed factors indicate, the competition for talent is going to increase in the same time as the pool of suitable talent is

going to shrink due to decreasing birthrates in developed countries. This all happens at the same moment when knowledge-based work gets constantly more complicated, requiring new very skilled talent.

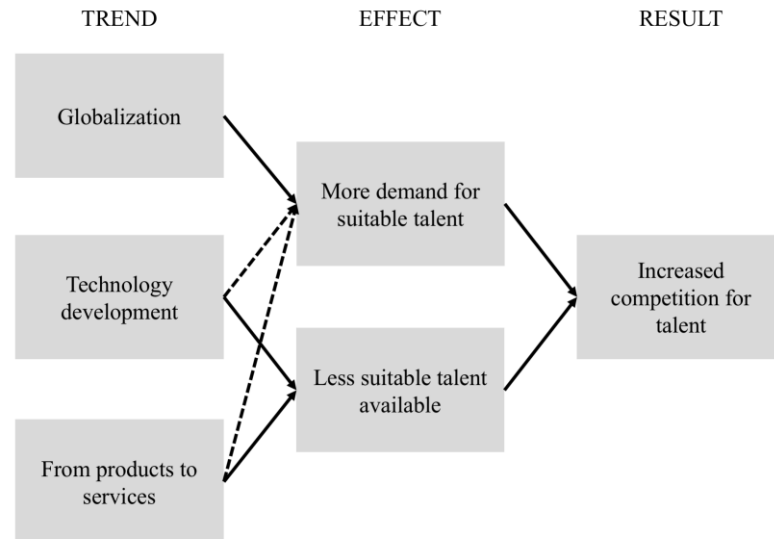


Figure 1: Framework presenting trends resulting in increased competition for talent

“The war for talent” suggest that the importance of Human Resource Management in companies is destined to change. The days of casual administrative role of HR function are over. HR function needs to adopt a role as a strategic partner of the CEO, bracing the organization for the ongoing and only toughening war for the best talent. In this fight, the Chief of HR has every reason to become a very important decision maker and a strategic force in an organization, like CFO’s and CIO’s.

Table 1: Comparison of Administrative and Strategic HRM

Dimension	Administrative HRM	Strategic HRM
OPERATIONS	Transactional, responsive and reactive	Change initiator, proactive
HORIZON	Short-term	Long term
ACCOUNTABILITY	Cost center	Investment
RESPONSIBILITY FOR HRM	HR specialists	HR specialists + Line managers
CONTROL	Bureaucratic roles & policies	Broad and flexible operations

1.2 Importance of HRM Transformation

Although there is a clear call for HR function to climb in the organization ranking and take a strategic and more central role, the lower than expected adoption of Strategic HRM practices has surprised the academic world (Lawler III & Mohrman 2003). While there are companies with highly skilled and Strategic HRM practices, most companies still see their HR functions as administrative supporting functions. A large body of research proves the link between Strategic HRM practices and an organization's financial success, but even this proof has not accelerated the actual adoption of Strategic HRM. Most companies that have tried to renew their HR function's role have failed to do so. (Beer 1997)

Even when the rising importance of HRM has been understood, there are only a very limited number of studies related to the actual implementation of SHRM. The obvious question of "How do we get there?" is practically unanswered. Kochan & Dyer (2001) argue that a great deal of research effort has been used in describing the role that HR function can take and its impact on business performance. Lengnick-Hall et al. (2009) see that the academic world is just now beginning to focus more on the implementation issues. "As yet, however, there has been little attempt to model the transition to Strategic HRM and identify relationships between the factors that impact on the transition." (Sheehan 2005).

From Administrative to Strategic Human Resource Management – Illustration of the Transformation

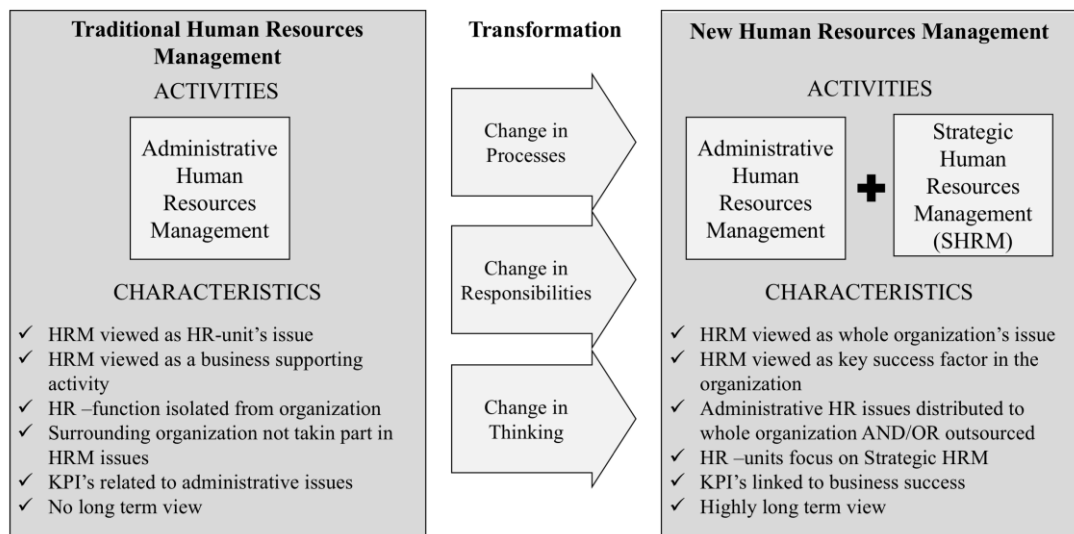


Figure 2: From Administrative to Strategic HRM - Illustration of the Transformation

While a lot of emphasis has been on the Strategic role that HR function needs to take, the more practical side of HRM goes unnoticed. According to Beer (1997) HR function needs to shed its administrative role to become strategic. According to Ulrich (1997) more HRM work falls into the hands of the organization and line managers. There is still a very limited amount of research on how this HRM change of focus is actually implemented. Also very few studies look at what parts of administrative work should be transferred to the organization, and how the transfer of workload can be successfully accomplished.

The other issue that a few research papers suggest, is that often the realized SHRM practices might be very different from the intended practices. More focus should be emphasized on the implementation and evaluating the actual practices in place, rather than focusing on the target model (Lengnick-Hall et al. 2009).

A few scholars have compared companies and determined what factors predict the company having Strategic HRM capabilities. (Lawler III & Mohrman 2003; Lengnick-Hall et al. 2009) In addition, a couple of clear issues and roadblocks for successful HRM integration have been identified. The literature regarding issues and challenges in HRM transformation is rather underdeveloped compared to the impact of the issue. Overall, there is demand in the literature to develop understanding in the intersection

of HRM and strategic management (Allen & Wright 2007). The two literature fields have developed in their own silos, in part due to HRM researchers often having limited strategy experience and strategy researchers seldom having a background in HRM (Lengnick-Hall & Lengnick-Hall 1988).

1.3 Research Goals and Questions

The objective of this research is to study, what factors make or break a SHRM transformation process. This study looks at the HRM transformation from a strategic management perspective, looking at the HRM transformation on the company level as a strategy implementation project.

This study seeks to identify the implementation success factors and barriers of implementing HR function's strategic partner role based on existing HRM research. As an addition to HRM research, this study also identifies generic strategy implementation issues that can be relevant in this type of transformation process. This study also seeks to introduce a framework to analyze and approach a firm specific HRM transformation process, by modelling the current and target HRM. In the empirical research, we study what are the actual factors within HR function and the whole organization that have an effect on the Strategic HRM implementation project. The study is conducted exclusively in the case company context.

The focus of this study is in the case company, but the results of this study may be generalized to other companies that have similar characteristics and are in a similar situation. To present the context of the study, an analysis of the case company's HRM's current and target role is conducted. To support the study, a new literature framework is developed for analyzing the HRM's current and target role.

The main research question of this study is formulated:

- How to transform HRM to Strategic HRM successfully?

The study seeks to answer the main research question through these research sub-questions:

- What is the current role and the target role of HRM in the case company?

- What are the success factors and barriers for Strategic HRM transformation identified by the literature?
- What are the success factors and barriers for HRM transformation in the case company context?

First, the current role and the target role of HRM in the case company is analyzed. Using the information from this analysis, a reference point for the transformation is set. Also, communicating the current and target role of HRM to the organization is important to avoid lack of consensus among the top management team, which often is the main silent killer of a change process (Gioia & Chittipeddi 1991). For future research, the analysis of the case company's HRM provides a good comparison point and places the study in the appropriate context.

Secondly, the study aims to identify success factors and barriers for HRM transformation in the HRM literature, but also employs strategic management implementation literature. The different barriers and success factors are grouped and divided into HR function level and organization level factors.

In the qualitative empirical part of the study, HRM transformation success factors and barriers are identified in the case company context. These identified factors are then compared to the factors identified by HRM literature and strategy implementation literature. The goal of the empirical part of the study is to identify which factors or groups of factors play a significant role in the HRM transformation. The interest of the study is to compare the factors found by both schools of literature, strategy implementation and HRM, and see how the factors found by both literatures are in line with empirical findings. There is also a possibility to find new factors unidentified by both HRM and strategy implementation research.

1.4 Research Methods and Strategy

The research is conducted as a qualitative single case study. The research methods were chosen to suit best the nature of this research topic. According to Eisenhardt (1989) a case study is focused on developing theory by understanding the deep dynamics in single case setting. Various data collection methods can be used in a case study, but in this case qualitative data gathering with semi-structured interviews was

perceived to be the best method for insightful data collection.

The case study process is open and iterative in its nature. The research questions ought to be more loosely formulated, and the researcher should be open for new unexpected findings to emerge from the data. Still, research questions are important in a case study to guide the study and maintain general focus on the topic. The research questions can be reformulated, if the data suggests this necessary. Overall, the process of analysis should be very iterative, building on ideas and looking at data through various unbiased and predetermined lenses. (Eisenhardt 1989)

Case studies are usually conducted by choosing case studies that are either similar or extend the current theory base (Eisenhardt 1989). In this research, single case study method was chosen to be the best alternative, since the case company's situation was thought to be unique and worth the deepest possible understanding and investigation. To obtain information about deviant cases, a single case study is a well-justified method (Flyvbjerg 2006). According to Flyvbjerg (2006), it is a common misperception that you cannot generalize from a single case study. A single case study can be a great contributor to theory development and its generalization. It can also be noted that generalization itself is overall overrated and delivering "illustrative example" is very underrated in the world of science. (Flyvbjerg 2006)

1.5 Execution of the Research Strategy

This master thesis process started by identifying the topic and finding the suitable research method. Single case study was chosen as the method best suited for the topic. Before identifying concrete research questions, a thorough analysis of the literature regarding the topic was conducted. The literature review development was started before the data collection, while no hypothesis based on the literature were made at that point. After this, loose research questions were set up and the empirical research was started.

Collection of the data was started in the midst of literature review development. A total of 14 interviews with case company executives were conducted during September and October 2015. The open interviews lasted between 30-60 minutes, based on how much

the interviewee had to say about the topics being discussed. All interviews were recorded and later fully transcribed.

The empirical data was analyzed, and themes emerging from the data were identified. This data guided the further literature development and the final formulation of the research questions. The literature review was designed to be an introduction to the human resources management literature, while also reaching deeper to present the literature closely related to the research question.

Finally, the empirical data results were reported and hypothesis based on the data were formulated. In discussions and conclusions, the hypothesis are compared to the existing literature. Managerial and theoretical implications were identified and expressed in the last part of study.

1.6 Terminology and Concepts

Human Capital: The skills, knowledge and experience possessed by an individual or a group of people, viewed as a value to organization or company.

HR, Human Resources: The personnel that work for the organization or company

Human Resources Management, HRM: The processes and activities that a business or an organization employs when managing its people. Confusingly, HRM is sometimes referred simply as HR.

Administrative Human Resources Management: The processes and activities of managing organization's people while focusing mostly on efficiency of day-to-day operations and serving other functions.

Strategic Human Resources Management, Strategic HRM, SHRM: The processes and activities, where human resources are managed actively in a way that they support long-term business goals and business strategy. When employing SHRM practices, the HR function is viewed as a strategic business partner in an organization.

HR function, HR department, HR Unit: The department/unit in the organization responsible for all issues related to human resources management. Confusingly, sometimes referred just as HRM or HR.

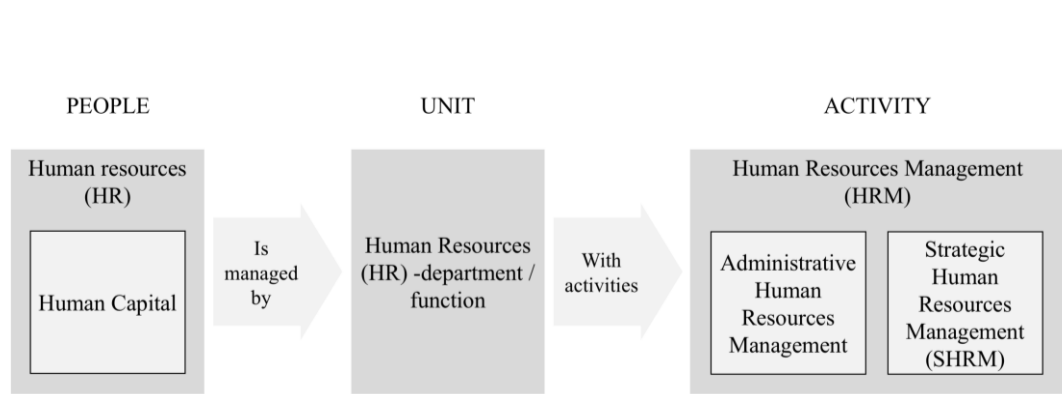


Figure 3: HR-related terms and their connection to each other

2 LITERATURE REVIEW

2.1 Human Resources

2.1.1 Resource Based View and Human Resources

To understand the importance and relevance of human resources in any organization, a link to an organization's success and competitive advantage needs to be made. The Resource Based View of the firm is one of the most popular theoretical perspectives to organization strategy and performance (Barney 1991) and it is one of the most popular frameworks to justify the importance and value of human resources. The Resource Based View focuses on firm resources, and identifies them as the core source of sustained competitive advantage. Compared to other approaches to strategic management, resource based view is centered on the organization rather than the environment.

The idea behind resources based view is that sustained competitive advantage exists only when competitors cannot replicate the success (Lippman & Rumelt 1982). The resources leading to sustained competitive advantage have been thus identified by Barney (1991) as valuable, rare, inimitable, non-substitutable. Only resources matching the VRIN criteria are thought to result in sustained competitive advantage.

According to Wright et al. (1993), Human resources can match the VRIN criteria and potentially be a source of sustained competitive advantage. Regarding Human Resource Management the situation is more complex. Since human capital is freely transferable, sustained competitive advantage cannot be bought by hiring the best talent. The competitive advantage stems from development and alignment of employees internally, and through systems that elicit beneficial behavior in employees. (Wright et al. 1994). Chadwick & Dabu (2009) argue that the human resources relationship with competitive advantage is more complex than Resource Based View suggests. Human resources are only strategic (1) when they drive Ricardian rents, (2) when they are part of a system that produces Ricardian rents or (3) when they produce entrepreneurial rents. Ricardian rent is a result from leveraging scarce non-imitable valuable resources while entrepreneurial rents result from unique abilities to react to market change and opportunities. (Chadwick & Dabu 2009)

In the theoretical literature and business world it has widely been accepted, that human

resource management practices have the opportunity to lead to sustained competitive advantage and eventually enhance economic performance of the organization (Huselid 1995). According to Barney & Wright (1997) human resource managers should seek to always try to develop resources that match the VRIN criteria, while still not ignoring the resources that do not qualify as VRIN.

2.1.2 Dynamic Capabilities and Human Resources

Recently the emphasis has shifted from static resources to the organization's ability to react and develop rapidly in dynamic environment. The resource based view has proved not to explain a situation where companies have sustained success in a constantly and rapidly changing environment (Eisenhardt & Martin 2000). Regarding human resources, dynamic capabilities view shifts the emphasis on the processes such as Human resources management and configuration rather than on the independent value of human resources.

Introduced by Teece et al. (1997) Dynamic capability theory puts the emphasis on the ability to change. Dynamic capabilities are defined as "The firm's processes that use resources – specifically the processes to integrate, configure, gain and release resources – to match and even create market change" (Eisenhardt & Martin 2000).

The issues and factors related to dynamic capability stem almost completely from human architecture of the company (Wright et al. 2001). This factor puts the HR systems and HRM in the center of dynamic capability theory. According to Teece et al. (1997), acquiring skills, managing of knowledge and facilitating development and learning become extremely strategic issues when they are seen as the resource of competitive advantage.

2.2 Human Resources Management

2.2.1 The Evolution of Human Resource Management Function

It is important to understand the evolution of the HR function in organizations. The role of the function has developed as the business environment and megatrends have shaped the competitive landscape and environment. In the development path of the HR function, HRM was first mostly concerned that there are a sufficient amount of workers with sufficient skills in the right place at the right time. The key of human resource

management at the time was to ensure that workers are qualified and motivated to complete organizations goals. (Lengnick-Hall et al. 2009)

With the introduction of Strategic HRM, HR function has been shifted to a new role: managing and developing human capital while taking care of the organizations competitive performance. This shift has resulted in drastic changes in the everyday work of HR department as well as in the skills needed to work in HRM. (Lengnick-Hall et al. 2009)

According to Wright et al. (1993) Investments in Human resources should be considered as capital investments, since they have the same or even a greater potential than other capital investments.

Table 2: The evolving role of Human Resources (Bartlett & Ghoshal 2002)

The Evolving Role of Human Resources			
	Competition for Products and Markets	Competition for Resources and Competencies	Competition for Talent and Dreams
PERSPECTIVE ON EMPLOYEES	People viewed as factors of production	People viewed as valuable resources	People viewed as "talent investors"
HR'S ROLE IN STRATEGY	Implementation, support	Contributory	Central
KEY HR ACTIVITY	Administering of recruitment, training and benefits	Aligning resources and capabilities to achieve strategic intent	Building human capital as a core source of competitive advantage

Boxall et al. (2007) divide HRM in to three major subfields: Micro HRM, Strategic HRM and international HRM. Micro HRM involves everything related to managing people and work. Strategic HRM is involved around HR strategies and their measurement. International HRM covers everything related to managing a multi-national workforce. In some other divisions, international HRM falls under Strategic HRM. (Boxall et al. 2007)

In many traditional larger organizations, HR function is viewed mostly as an independent and isolated function, while other the surrounding organization outside HR function feels no responsibility of HRM related work. Larsen & Brewster (2003) see that the increasing trend is to move HRM work to the surrounding organization specifically to line managers. The sourcing of HRM responsibility has both upsides and downsides. The line managers might not feel or be competent to handle HR related issues and HR function might be afraid to lose control and visibility to HRM (Renwick 2003; Whittaker & Marchington 2003). It is still evident, that without central organizational involvement, HR function cannot play a strategic role.

2.2.2 Human Resource Management Role and Focus

As the need for a different kind of Human resource management has surfaced, the role of HR function needs to change as well. The recent change from administrative HRM towards more strategic HRM is a challenge HR function needs to figure out. It is though argued by Ulrich (1997) that without successful administrative HRM operations, HR function cannot achieve a strategic role. HR function needs to balance old and new roles, and constantly stretch its resources. It is also argued by many scholars, that HRM responsibility needs to be distributed to the surrounding organization in order to free resources for the HR function to act in its new strategic role (Ulrich 1997).



Figure 4: A framework for identifying HRM focus areas (Ulrich 1997)

Ulrich's (1997) framework can be seen as a generalization of different HRM focus areas and dimensions. While all focus areas should be paid attention to, HRM in an organization can and should tilt towards a preferred and intended role. It is clear, that it is nearly impossible to maximize presence on all focus areas, which means that decisions need to be made.

How can HR function then assume new roles with same resources? Ulrich (1997) argues that in a trend where HRM is becoming strategic, more work falls into the hands of line managers. Also Lengnick-Hall et al. (2009) argue that non-strategic work of HRM can and should be easily outsourced in case of limited resources.

2.2.3 Strategic Human Resource Management

Strategic Human Resource Management (SHRM) is a new long-term focused view to traditional HR management. The key of SHRM is to manage human capital in a way that supports the company's business strategy. Rather than focusing on day-to-day administrative people management issues, the Strategic HRM focuses on issues such as long-term personnel management, planning talent supply and demand for future needs, organizational structures, values, culture and commitment. Beer (1997) suggest that in order to HR function to be strategic, it needs to shed its current administrative role.

The shedding of the administrative role is still usually not easy, since there is a long tradition in many organizations to burden the HR unit with all non-operational issues. As Ulrich (1997) points out, that in order for HR unit to act strategically, line managers and the surrounding organization need to take a larger role in handling administrative issues. Overall, the administrative HRM work is not disappearing from the organization; it just should be increasingly automatized, outsourced and spread out to the whole organization.

From Administrative to Strategic Human Resource Management – Transformation in roles and responsibilities

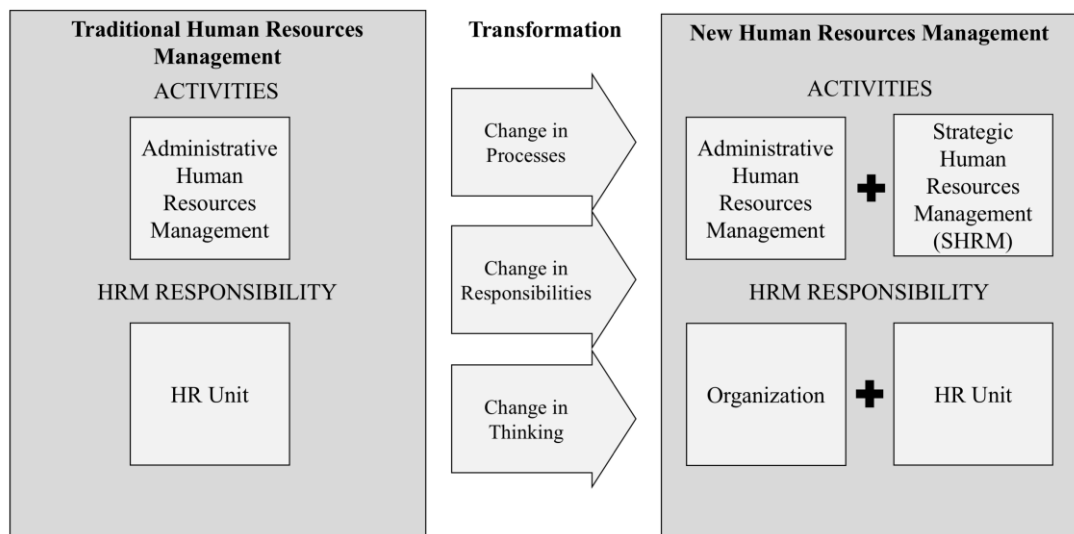


Figure 5: From Administrative to Strategic HRM - Transformation in Roles and Responsibilities

In the literature, a few key elements differentiate SHRM research from traditional HRM research. First, Strategic HRM looks at HRM practices as solutions to business problems, rather than evaluating HRM practice performance in isolation. Secondly, Strategic HRM is all about the whole organizations performance rather than an individual or a group performance (Becker & Huselid 2006). The majority of SHRM literature is published after the 1980's, while the roots of the field can be traced back to as far as 1920 when firms intentionally adopted labor practices to get strategic advantage (Lengnick-Hall et al. 2009).

The major part of SHRM literature focuses on the nature of HR architecture. The majority of discussion is concerned with single practices versus systems -topic and defining the most appropriate variables for measurement of success. The guiding thought of SHRM is that the right kind of HR system results in superior workforce acquirement, development and retention, which in turn results in a superior operational performance of the organization. It can be argued, that HR system is one of the most strategically important aspects of the organization. (Becker & Huselid 2006)

The major debate among SHRM has been "Fit" versus "Best Practice" discussion. The fit perspective looks at individual HRM practices and their suitability internally and externally to an individual company and its strategy, while the best practice view sees

that there are industry wide best HRM practices that will yield financial benefits when correctly employed. (Huselid 1995; Lengnick-Hall et al. 2009)

Table 3: Forms of HRM fit (Guest 1997)

Forms of HRM fit		
	Criterion specific	Criterion free
INTERNAL	Fit to an ideal set of practices	Fit as gestalt
EXTERNAL	Fit as strategic interaction	Fit as contingency

Guest (1997) takes defining the optimal HRM fit discussion further, by dividing ideal HRM fit to four different categories based on two dimensions: Internal versus external and criterion specific versus criterion free.

Fit as contingency, is an approach that views that HRM that is able to adapt and respond quickly to external factors will perform better. The external factors might be for example changes in the market situation, legislation or competition. For each external change there should be a reaction based on HR policy. (Guest 1997)

Fit as gestalt approach suggests, that the best HRM can be found by combining the best suitable combination of HR practices together to match the company's unique needs. This view implies that there might be non-replicable elements in HRM that might support sustainable competitive advantage. (Guest 1997)

Fit as bundles approach is similar to Fit as gestalt view, but it suggest that best HRM results will be achieved by employing appropriate set of HRM practice bundles. Rather than looking at HR practices as individually, they should be viewed as bundles that match certain organization's needs. (Guest 1997)

Fit as an ideal set of practices suggest, that there is a universal set of "Best practice HRM practices", that all organizations are trying to employ. (Guest 1997)

Fit as strategic integration is based on the idea that HRM needs to respond to external changes, but there is always a strategic choice in the direction. This is where HR strategy should guide the decisions. (Guest 1997)

2.2.4 Human Resource Management Practices and Firm Performance

Multiple studies have studied individual HRM practices and their effect on firm performance. Studies include assessing factors affecting employee turnover (Cotton & Tuttle 1986), productivity (Cutcher-Gershenfeld 1991) and financial Performance (Schmidt et al. 1979). Studying the effect of HRM effect as a whole has been more difficult, although various studies exists.

Financial Performance:

Table 4: A summary of research linking HRM and financial performance

Findings	Author
Returns of investments to HRM practices are significant	Cascio 1991, Flamholtz 1985
One standard deviation increase in employee performance is equal to 40% or more of salary per employee	Boudreau 1991, Schmidt, Hunter, MacKenzie & Muldrow 1979, Becker & Huselid 1992
Positive link between formal selection process and overall extensive recruiting procedures	Terpstra and Rozell 1993
Increased firm profitability through performance based compensation	Borman 1991, Gerhart & Milkovich 1992

Productivity:

Table 5: A summary of research linking HRM and organization productivity

Findings	Author
Firms emphasizing co-operation and dispute resolution in labor relations had less costs, less waste, better productivity, and better return to labor hours	Cutcher-Gerschenfeld 1991
Innovative workpractices enhanced productivity	Katz, Kochan and Keefe 1987
Quality of worklife and existence of labor management teams increased productivity	Katz, Kochan and Gobeille 1983 and Schuster 1983
A link between employee training program adoption and productivity was introduced	Bartel 1994
Expanded recruiting effort increased productivity	Holzer 1987
Link between compensation systems and productivity was made	Gerhart & Milkovich 1992, Weitzman & Kruse 1990
Employee turnover had important effect on productivity	Brown & medoff 1978

As a conclusion, various studies have found a strong link between firm performance and High Performance Work Practices. The major limitation with these studies is that it is impossible to determine if High Performance Work Practices actually result in good performance or if well performing firms are just more likely to employ High Performance Work Practices. (Huselid 1995)

The issue of “Fit” versus “Best practice” has been ongoing in HR practice research. According to the Fit view, the level of individual HR practice and their effect on firm performance is rather irrelevant, since each HR practice should be aligned to firm’s strategy. The best practice view does not recognize the role of “Fit”, but sees that there are industry wide best practices for each HR practice. The universal view is something between these, trying to identify HR practices that need to be aligned to the firm’s strategy and those that are universally beneficial. (Huselid 1995; Lengnick-Hall et al. 2009)

Strategic HRM practices affecting firm performance have been studied considerably less as a whole. Huselid (1995) studied the effect of internal and external fit of HRM practices and strategy but found only modest evidence of the link between fit and firm performance. He rather suggested that investments in individual HR practices provide

better returns. Skaggs & Youndt (2004) studied 234 service organizations and found strong evidence that fit between strategic positioning of the firm and its human capital yields superior profits. Rodwell & Teo (2004) studied the adoption of Strategic HRM practices in non-profit and for-profit organizations and found significant positive organizational performance relation in both.

2.3 Human Resource Management transformation to a Strategic HRM

2.3.1 Success Factors Implementing Strategic Human Resource Management Practices

Table 6: A summary of success factors in achieving SHRM according HRM research

Success factor	Author
HRM increased focus on planning, organizational development and design	Lawler & Mohrman (2003)
Efficient use of IT systems to build strategically valuable information	Lawler & Mohrman (2003)
Organizational approaches that blur boundaries and unify teams: Rotation within HR & Transfer HRM tasks to line	Lawler & Mohrman (2003)
Head of HR with HR background	Lawler & Mohrman (2003)
Focusing on “strategic jobs”, not equally on the whole organization	Becker & Huselid (2006)
HR manager in the management board	Sheehan (2005)

HR function is in a unique position in the organization, interacting with the whole organization. In order to become strategic, it is important for HR function to focus on planning, organizational develop and design. In Lawler & Mohrman's (2003) study increased focus on planning, organizational development and design correlated with successful strategic integration of HR unit.

The efficient use of IT-systems and especially using them to build strategically valuable information was seen to correlate positively with HR unit achieving a strategic role. This point is connected to the previously presented barrier identified by Khan (2014), as HRM not being able to communicate the strategic difference of HRM actions. (Lawler III & Mohrman 2003)

The head of HR’s background in HRM helps in making HR function strategic. Lawler & Mohrman (2003) argue that human capital management has such vast amount of

aspects, that being able to coordinate all of them and align them with business, a very deep understanding and experience in HRM is well appreciated. Although overall business experience is thought to enhance the odds of HR function becoming a strategic partner, a total outsider of HR might have difficulty understanding the HR change. Ideal combination in their view would be a candidate with both HR and business experience.

Making HRM issues part of the whole organization's business is one of the keys to making HRM strategic. Being close to business should be the ultimate goal of HRM, blurring the line between the line organization and the HR function, and unifying teams and doing work rotation within functions was found to positively correlate the HR function being a strategic partner. (Lawler & Mohrman 2003)

Becker & Huselid (2006) think that most HR functions struggle to become strategic because they invest their time and effort equally on everybody in the organization. They argue, that in order to make an impact, "strategic jobs" need to be identified and larger amount of resources need to be addressed to them and their development. The saying "employees are our most important asset" does not mean that everyone should be equally invested in.

Sheehan's (2005) study indicates that having HR representation in management committee enhanced the ability for HR to be involved, but it does not guarantee HR function's strategic involvement. In many cases it was not seen that even with management board presence, HR function was not taking part in strategic decision making. This was mostly reasoned with HR manager's personal lack of business understanding. It is evident though, that in order for HR function to become strategic, the HR manager needs to have a good communication channel with the CEO and access to all relevant decision making data.

2.3.2 Barriers of Implementing Strategic Human Resource Management Practices

Table 7: Summary of barriers in achieving SHRM according HRM research

Barrier	Author
Lack of business related competency among HR function	Sheehan (2005)
Inability to identify and communicate when and where human capital makes a strategic difference. Inability to measure and analyze the impact of HR programs	Khan (2014)
Lack of resources to take care of administrative functions as well as being a strategic partner (<i>this can be tackled with outsourcing and efficient use of information systems</i>)	Lawler & Mohrman (2003), Beer (1997)
Inability of HRM personnel to play a strategic role, Inability to play role in the development and implementation of Corporate strategy	Beer (1997), Lawler & Mohrman (2003)
CEO's Lack of HRM understanding	Beer (1997)
HRM function's legacy as a hurdle to overcome	Becker & Huselid (2006)
Lack of top management consensus	Bartram et al. (2007), Lengnick-Hall et al. (2009)

The lack of business related competencies among HR function makes it hard or impossible to connect HRM activities with business activities. It is important to be familiar with the general business and functional areas inside the organization, to be able to contribute strategically. To address this issue, work rotation for HRM professionals outside HR unit is encouraged. (Sheehan 2005)

HR department might have difficulty in measuring and analyzing the impact of HR related programs. This may lead to disrespect and lack of commitment in management, where data driven decision-making is appreciated. HRM should seek to measure the impact of all work, although it might be difficult and something not done previously. Other impact of measuring is that results can be communicated efficiently to the organization to prove the importance of HRM work. (Khan 2014)

HR personnel are usually burdened with basic operational issues, and there is no spare time to devote to new initiatives. This is dangerous, and will most likely result in the Strategic HRM being not correctly implemented or not implemented at all (Beer 1997). Lawler & Mohrman (2003) see this same issue, but also view outsourcing of non-strategic operations and efficient use of IT-systems as a solution to this problem. Ulrich (1997) argues that to solve this problem, the surrounding organization needs to

take a strong role in operational HR issues and stop using HR department as a landfill for all their problems.

Having the HR manager be a part of the management committee could be thought to be a way to clearly involve HR in the decision-making process. Sheehan's study (2005) indicates that having HR representation in management committee enhanced the ability for HR be involved, but it does not guarantee HR function's strategic involvement. In many cases it was implied that HR manager was not seen to be taking part in the central decision making processes. This was mostly reasoned with the HR manager's lack of business understanding.

HRM personnel are traditionally from various backgrounds but generally, they lack strategic management experience. This lack of experience may lead to inability for HRM personnel to play a strategic role (Beer 1997). Corporate strategy issues are seen as complex and overwhelming for HR personnel with no experience with them (Lawler III & Mohrman 2003).

The CEO's lack of HRM understanding can significantly hinder the HRM transformation process. Although the CEO can say that HRM should be strategic, drastic changes in HRM fundamentals such as splitting administration and HRM are sometimes too radical. The CEO can significantly block the transformation with passive resistance. (Beer 1997)

Although all HRM leaders want to be strategic, they are easily caught with traditional measurements of HR success, such as cost per employee, to prove HRM's value. There is nothing wrong with these measurements themselves, but they easily drive the operations back to basics, where HR function is mostly seen as a cost center. (Becker & Huselid 2006)

There might be a different understanding and view of Strategic HRM among leadership, which can significantly undermine the transformation process (Lengnick-Hall et al. 2009). "...Senior management team in large organizations may not be 'singing the same song' in relation to HR systems, practices and processes" (Bartram et al. 2007). Bowen & Ostroff (2004) see that the lack of consensus will most likely result in bad performance in the HRM implementation project.

2.3.3 Strategy Implementation Factors

Unlike the Strategic HRM research, in this study we look at attempted HRM change also as a generic strategy implementation project. According to this study's approach, the HRM transformation can be seen as an organization level strategy implementation project, which means that the strategy implementation factors need to be accounted for.

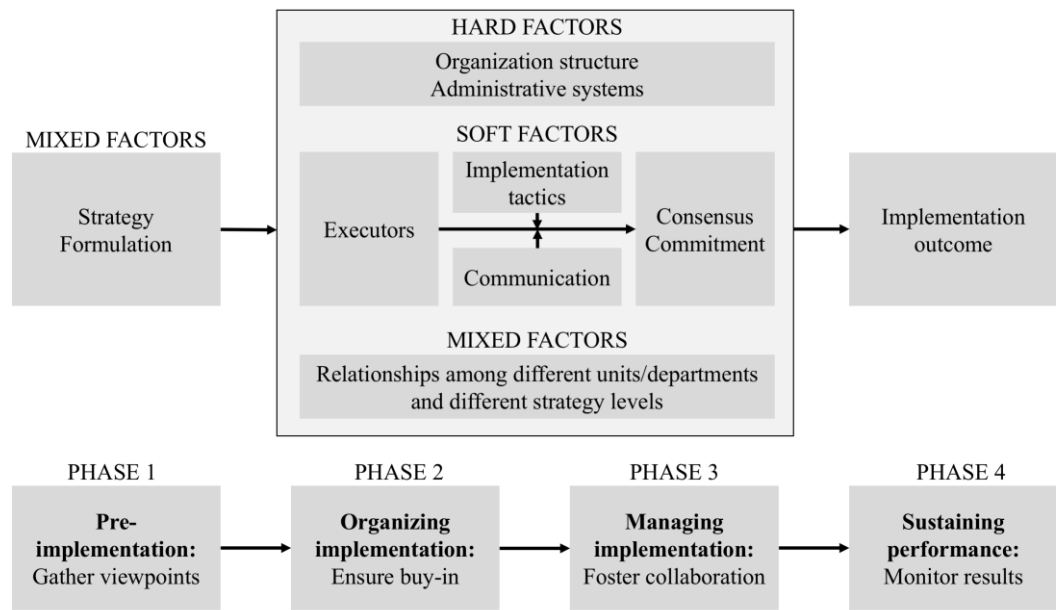


Figure 6: A summary of strategy implementation focus points in strategy literature (Li et al. 2010)

In Figure 6, Li et al. (2010) illustrate and summarize the various focus points of strategy implementation identified by the literature. The various studies of the field look at individual factors or combinations of multiple factors of implementation. The framework combines all the factors, illustrates their connectivity to each other and presents them on a strategy implementation timeline.

Strategy formulation is a key success factor, since it results in strategic decisions that will dramatically affect strategy implementation. Hard factors and soft factors affect the implementation outcome. Within soft factors, executors drive for consensus and commitment with the help of implementation tactics and communication. The three categories (hard factors, soft factors and mixed factors) are interconnected in multiple

ways, which is not illustrated further in this graph. The four phases of implementation below influence these three factors, as the organization moves through the implementation process. (Mazzola & Kellermanns 2010)

Since there is such a vast amount of strategy implementation factors identified by various research, this study chooses to cite Beer & Eisenstat (2000) and identifies and presents six root causes, the “silent killers of strategy”:

1. Top-down or Laissez-Faire Senior Management Style
2. Unclear Strategies and Conflicting Priorities
3. Poor Coordination Across Functions, Businesses and Borders
4. Ineffective Senior Management Team
5. Poor Vertical Communication
6. Inadequate Down-the-line Leadership Skills and Development

The senior management style should not be too relaxed (Laissez-faire) or controlling (Top-down). An example of Laissez-faire management can be top management discomfort with conflict. A sign of top-down management can for example be a feeling in management team meetings that strategic decisions have already been made without any input from below. (Beer & Eisenstat 2000)

Factors two and three, “Unclear strategies and conflicting priorities” and “Poor coordination across functions, businesses and borders” are usually involved with each other. Poor coordination of strategy and functions can lead to various strategies, priorities and functions to compete against each other for limited resources. (Beer & Eisenstat 2000)

An ineffective senior management team can be a result of many issues. The most usual problem is a power struggle, which means that all managers hold on to and only think about their own territories and businesses. This leads to being afraid of all change that might undermine their own role and power. (Beer & Eisenstat 2000)

Poor vertical communication stems usually from the feelings on lower levels, that senior employees are not available for open discussions. Employees might feel that the senior managers do not want to hear embarrassing issues and things that make them

look bad. (Beer & Eisenstat 2000)

Inadequate down-the-line leadership skills and development is a result of the lack of leadership coaching and training. This is also driven by the top-down management style, which concentrates decision making to higher levels and leaves lower managers without power and skill. Evidence of this is usually top-management reasoning their own strong decision making with a fact that lower level management does not possess skills required to handle decisions. (Beer & Eisenstat 2000)

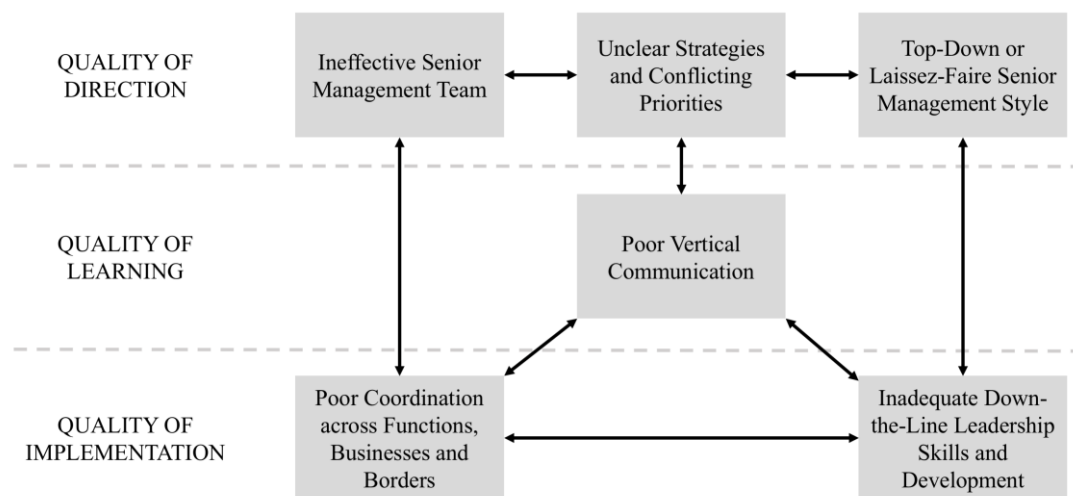


Figure 7: Six strategy killers and their interaction with each other (Beer & Eisenstat 2000)

In figure 7, the strategy implementation killers and their relationships are highlighted. An ineffective senior management team, a top-down or laissez-faire senior management style and unclear strategies and conflicting priorities all affect each other. This can create a vicious cycle that will lead to bad quality of direction. (Beer & Eisenstat 2000)

Quality of learning is mostly affected by poor vertical communication, which is in turn affected by unclear strategies and conflicting priorities of the management. Quality of implementation is directly affected by poor coordination and inadequate leadership skills. These again also drive each other, and are related to issues in management.

Overall, it can be summarized that most of the strategy implementation factors originate from management issues. (Beer & Eisenstat 2000)

3 RESEARCH METHOD

3.1 Case Company Description

This study's case company is Fira, a mid-size Finnish construction company. Fira has an innovative approach to the construction industry: Fira aims to continuously challenge the construction industry's traditional ways of operating. Fira also fearlessly challenges itself and its clients to rethink and create better results together. Fira has grown significantly faster than the industry in recent years, while also making a steady profit. During the growth, Fira has successfully introduced many new novel concepts to the Finnish construction business, including for example community building and alliance-projects. There are two main financial factors that differentiate Fira from other major construction companies: 1) Fira has a very light balance sheet; Fira does not ever own land or properties in the construction projects it takes part in. 2) Fira's overhead costs compared to revenue are among the highest in the industry.

Fira group consists of two companies: The mother company Fira Oy, which was founded in 2002, and Fira Palvelut Oy (Fira Services) which was founded in 2010. Fira Oy focuses on developing and implementing larger scale construction projects for the private and the public sector. Fira Palvelut Oy is focused on delivering pipe renovation services. The two separate companies operate with many shared resources in the same office space. For clarification, in this study we handle Fira group as a single company, a combination of Fira Palvelut Oy and Fira Oy.

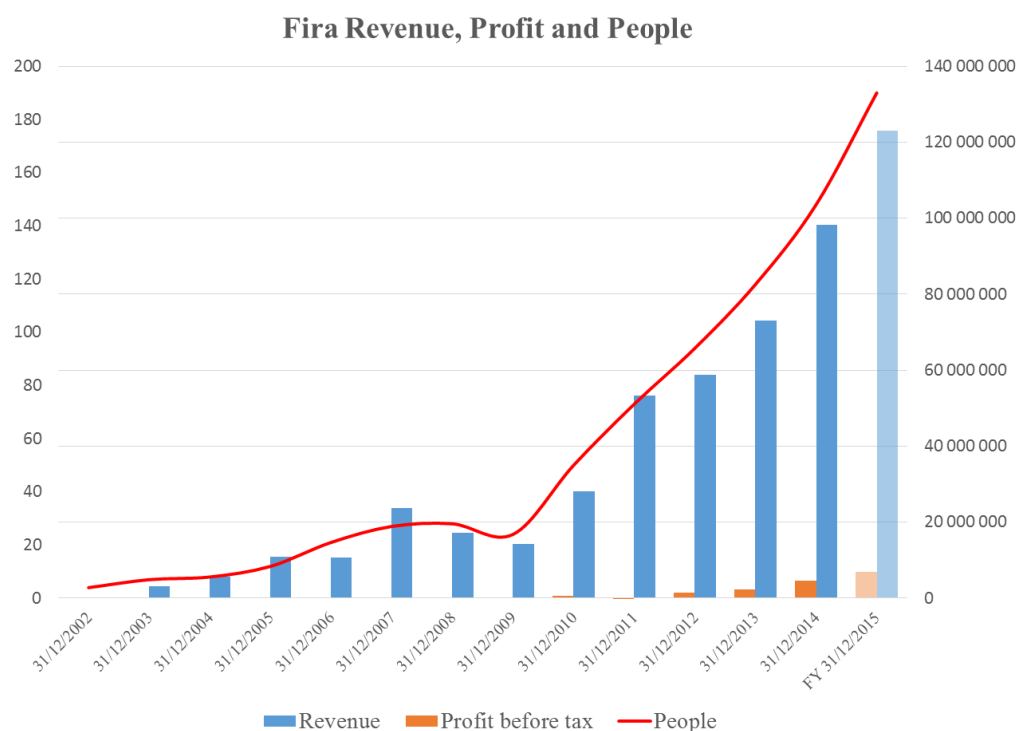


Figure 8: Fira Oy revenue, profit and personnel growth (Fira Oy 2015)

Figure 8 illustrates Fira’s growth path since founding in 2002. The growth of revenue and people has been very significant since 2009.

Fira’s history can be divided into 3 different phases, with distinctive focus and business characteristics. Fira was founded in 2002. Phase 1, “Traditional construction” was ongoing from 2002-2009. During this time, Fira focused mostly in doing better construction planning and work than the competitors. The main core competence was expertise in construction work, which stemmed from long construction work history of the founders. Fira’s core business was building concrete parking garages.

Phase 2, “Service building” was ongoing from 2009-2014. During this time Fira’s core focus shifted from actual construction competence, to “client first” service business development. This approach to construction business was rather unique in Finland and turned out to be very successful. Fira experienced significant organic and profitable growth during the time, achieving the average compound annual growth rate (CAGR) of 38% between 2009-2014. It was during this period that Fira began challenging traditional construction industry ways of operating.

In 2015 Fira is in the beginning of Phase 3, aiming to take the company to 1B€ valuation in five years. The Phase 3 is described as “People centric”. The agenda for Phase 3 comes from the realization that Fira’s practically only and that way the most important asset are the people working either for or with Fira. The growth focus is also shifting from growing revenue to growing the value of the company. In this phase, Fira’s strategy is to take advantage of the opportunities offered by digitalization, and continue to question the fundamentals of construction industry. The success factor of this phase is estimated to be the extent to which Fira is able to positively engage itself with various groups of people, most importantly its own employees.

Fira’s human resource management function has existed under “administration” unit until 2015. As is evident by the name of the unit, administration function has focused more on the administrative law-required issues related to human resources, than actual human resource management. Recently, the HR function has been founded as a separate entity, with three fulltime employees.

The next ambitious growth leap of the company has been understood to require HR function to develop its role and operations to the next level. The role of human resources management increases significantly due to two main reasons: First, the increasing number of staff requires systematic approach to human resources management. Secondly, the competencies required to reach next level strategic goals are scarce and hard to acquire, develop and maintain. Both of these factors suggest HRM moving to a central and strategic role in the organization. It is expected, that without appropriate HRM development Fira will struggle to acquire and maintain competence required to execute its strategy, which makes HRM development project a strategic development project for the organization.

The HRM development towards strategic HRM is viewed as a crucial part of Fira’s strategy and future. The question of “how to get there” is important, since the HR project is linked directly to Fira’s next growth phase. The topic of how to make the transformation successful is not well researched, so there is a strong demand to identify the factors that have an effect on the transformation.

3.2 Data Collection

The data was collected with semi-structured interviews. Fourteen top management level personnel were interviewed, each interview lasting between 36 and 60 minutes. The details of the interviews are presented in the table below.

Table 8: Details of interviews conducted

Code	Name	Title	Organization	Interview date	Interview duration
H1	Ville Wikström	Sales Director	Fira Palvelut	29.9.2015	0:47:35
H2	Antti Kauppila	Shared Service Center Manager	Fira	29.9.2015	0:51:40
H3	Jaakko Viitanen	CDO	Fira Palvelut	29.9.2015	0:51:01
H4	Jari Koivu	COO (Production)	Fira	29.9.2015	0:58:01
H5	Henry Salo	Head of Business, Residential Development	Fira	1.10.2015	0:36:07
H6	Sami Kokkonen	CEO	Fira Palvelut	5.10.2015	1:00:27
H7	Lauri Kaunisvirta	Head of Business, Verstas	Fira	5.10.2015	0:38:49
H8	Miska Eriksson	Executive Vice President	Fira	5.10.2015	0:44:08
H9	Juhani Vanhala	Chairman of the Board	Fira	6.10.2015	0:57:01
H10	Jussi Aho	CEO	Fira	8.10.2015	0:39:31
H11	Otto Alhava	CDO	Fira	9.10.2015	0:42:44
H12	Juha Koskinen	Procurement Manager	Fira	9.10.2015	0:46:35
H13	Topi Laine	Cost Accounting Manager	Fira	13.10.2015	0:33:25
H14	Annabella Haavisto	Head of Finance and Accounting	Fira	19.10.2015	0:57:53

Top management personnel were selected for interviews for a few reasons. First, the top-level management has extensive experience with the organization and this way more insight into HRM related issues at the case company. Secondly, many interviewees have a long history in various management positions, and thus insight into various roles of HRM. Thirdly, the top-level management is expected to have a more holistic view to the whole organization and HR function.

The interviews were conducted in the case company's headquarters and each interview was recorded. Each person was interviewed individually and only during one occasion. The interviewees received the interview agenda (Appendix I & II) beforehand, while still most interviewees had not had time to go through the questions before the interview in detail. All the interviews were conducted in Finnish language, the native language of all the interviewees. This was expected to result in a richer dialogue.

Each interview was started with short introductions and a short presentation of the study and the subject. The interview agenda was divided into loosely structured themes the following way:

- Interviewee's background and role in the case company

- Strategic direction
- HR function role
- HRM transformation
- Reflecting HRM and own role at the organization

Each theme had 2-4 very open questions. Each question had 1-5 subtopics listed under them that served as a checklist for the interviewer to make sure all major topics were covered. The subtopics also served as conversation starters, in case the interviewee did not have anything to say to the broad open questions. The overall interview agenda was used more as a guide for the interview to spark open discussion on subjects that the interviewee had the most to say about.

The first questions of the interview were about the interviewee's background and role in the case company. These questions were considered as warm up questions, which were used to adjust the later questions to focus mostly on issues that the interviewee would have the most insight. After this part of the interview, the concept of human resource management and the terms related to the subject were briefly gone through, in case there was a possibility that the interviewee was not familiar with them.

3.3 Analysis

Thematic analysis was used to analyze the interview material. First, all of the interviews were fully transcribed. After this, the whole interview material was systemically read through and themed under a few pre-determined themes: HRM current role, HRM target role, HRM implementation success factors, HRM implementation barriers.

The data analysis followed an abductive process of systematic combining of theoretical knowledge and insight from the case (Dubois & Gadde 2002; Dubois & Gibbert 2010). The systematic combining method is best suited for cases where a new phenomenon needs to be deeply understood and a new theory is expected to emerge. In the process, the literature and current theory are always playing in the background as comparison points and a foundation, while the researcher is still not afraid to identify new findings completely independent and contradictory from the current theoretical frameworks. (Dubois & Gadde 2002)

After the first round of analysis, each top-level theme's material was analyzed individually. Under each top-level theme, sub themes were identified based on patterns in the interview material. Ulrich's (1997) framework of four focus areas of HRM were used as predetermined subthemes for the HRM current role and target role themes. During analysis, all HRM transformation success factor and barrier themes were categorized to HR function internal and external themes before further analysis.

After identifying the subthemes, all meaningful points risen in the interviews under each subtheme were analyzed and translated. Similar points were identified and grouped in cases where two different versions did not result in any additional information. The number of references of each point were counted. Direct quotes related to the points were translated to English.

The empirical study was then compared to the literature study, and the combined results were interpreted. The guiding line was to answer the research questions by identifying meaningful and concrete answers from the results.

4 FINDINGS

4.1 Description of Case Company HRM

4.1.1 HRM Traditionally

To evaluate and understand the context of the case company, an analysis of the case company's HRM was conducted. For all strategic change projects, it is essential for the CEO and the management team to understand the organization's internal environment (Thomas & McDaniel Reuben R. 1990). Understanding and interpreting issues related to the change process is the key activity of the CEO (and the top management team) in the beginning of strategic change projects (Gioia & Chittipeddi 1991).

In this case, we see that it is important to understand the current role that HRM has played in the organization until recently. From the interviews, quotes regarding traditional HRM operations were categorized under four HRM themes: Strategic Focus vs. Operational Focus and Systems vs. People. Each category's total number of references and each quote's number of references are displayed in table below.

Table 9: Current HRM characteristics related to Ulrich (1997) focus areas

Themes	Current HRM characteristics	Number of interviewees who mentioned
STRATEGIC FOCUS		0
OPERATIONAL FOCUS		13
	Lack of strategic resource planning	1
	Lack of big picture	1
	Basically no HR, just administration	2
	Process focused and oriented	1
	Focusing on law-required/administrative issues	7
SYSTEMS		6
	Focus on system implementations	1
	No role in human resources development	1
	Distant to organization, lack of transparency	4
PEOPLE		2
	HR recruiting focused	2

Strategic Focus

There was a mutual understanding among the interviewees, that the level of strategic focus among Fira HRM has been low. Not a single interviewee mentioned Fira's HRM

to have a strategic focus. There were multiple quotes signaling the lack of strategic focus. In this study these quotes were interpreted to signal operational focus of HRM.

Operational Focus

The operational focus of HRM has traditionally been the strongest focus of Fira's HRM. The focus was seen to be in law required and administrative issues (7 quotes). The administrative issues have been so important, that one interviewee describes the situation the following way:

“Only mandatory things have been taken care of, such as ensuring that employee work contracts, salaries and terminating employee contracts go according to laws and regulations.” (H4)

Most of the interviewees pointed out that Fira has not had a specific human resource management function, since there has only been administration function that has handled human resources related tasks. This is probably why two interviewees see that Fira has not had HRM at all.

“We practically haven't had human resources management at Fira.” (H9)

Other quotes included HRM lacking strategic resource planning and a view of the big picture. In addition, HRM was seen as process focused and oriented by one interviewee.

“There have been development projects and HR related systems have been built, but to have a big picture of what we want to accomplish, that we haven't had yet.” (H8)

“I don't think that we have strategic human resource planning. We do not have an understanding of all the competences we would need, let alone that somebody would have thought about how to acquire them.” (H3)

Systems

There were six quotes mentioning HRM as system focused. References that signaled the lack of people focus, were interpreted in this study as a sign of system focus. Four

interviewees pointed out that the HR function is distant to the organization or that it lacks transparency.

“HR function has been rather distant, not visible to organization.” (H7)

“HRM should be more integrated to other functions. Now I see it being unconnected to the organization.” (H14)

People development was seen as non-existent by one interviewee. The interviewee thought that Human resources development has been a responsibility of the operational resources rather than of the actual HR function. This quote was interpreted to support a more systems focused role of HRM.

“When I joined Fira, actual human resources development was non-existent. Recently there has been a little development, but practically solely driven by our operational resources... HR function has barely had any role in this.” (H4)

People

There was only one quote mentioned by two of the interviewees that supported the HR function's people focused role. The interviewees saw that the HR function has been focusing on recruiting, which can be thought as people focused activity.

“The HR function's role has been extremely operational, it has tried one way or the other to get salaries paid, help in recruiting and keep registries up to date.” (H6)

Case company HRM synthesis

To conclude, human resources management in the case company has been operational and system focused, while obviously lacking focus on people and strategy. In the figure below, the relative number of quotes regarding a certain focus have been mapped on Ulrich's HRM focus areas framework.



Figure 9: Current HRM characteristics mapped on Ulrich (1997) framework

Other remarkable points regarding the current HRM are summarized in the following table.

Table 10: Current HRM characteristics

Themes	Current HRM characteristics	Number of interviewees who mentioned
ROLE		
	HR function has had a very limited role in many HR related issues and projects	1
	Minimum level of HR	2
	Smaller firm (Fira previously) does not require strong HR function	3
	Focus shifting through time, based on prioritization of development	1
	Not core, only supporting function	3
PERFORMANCE		
	Basic processes are in place	1
	Internal functions lagging behind Fira's growth	2
	Quality of work rather moderate	1
	Lack of constant measuring impact of decisions and actions	1
	HR systems almost non-existent	1
CHARASTICS		
	Associated with one individual	1
	Strongly commanded by one person	1
IMPACT ON ORGANIZATION		
	Missing organization level view to decisions	1
	Felt as dragging down organization with processes	1
	Not focusing on real organization pain points	2
	HR basically not very visible to production employees	2
RESOURCES		
	Lack of resources	3
	Not right resources	2
	Used outsourced partners for many tasks (eg. Recruiting)	1
RESPECT		
	Not that respected	1
	Respect is directly linked to value created to organization	1
	HR not seen as strategic function	1
	Equally respected compared to other supporting functions	1

Below are a few quotes that summarize HR function in the case company:

“Of course there should have been a lot more resources for the human resource management. However, everything is always dependent on the development phase of the company and how much resources can be committed at that time.” (H14)

“We need to understand the role of HR function as relative to the company and its phase.... When this company was founded in 2002, there were only a handful of people working around the same table, and there was no role for HRM... The demand for systematic HRM increases as the company grows.” (H10)

The most mentioned quotes from the Table 10 highlight the main reasons why the case company's HRM developed into its role. Three interviewees mentioned that as a growth company, Fira has not previously needed a strong HRM. The lack of resources in HR function was mentioned by three interviewees. Three people also saw the HR function not being a core function in the case company.

4.1.2 HRM Target Role

To understand and evaluate the change process, we also needed to know what the characteristics of the ideal HRM would be. We conducted an analysis to identify people's opinions of the ideal HRM in the case company. The analysis was similar to the one that was conducted to map the case company's current HRM. The quotes raised by the interviewees were evaluated on four dimensions: Strategic focus vs. Operational focus and Systems vs. People. The following table highlights the quotes grouped by each dimension.

Table 11: The target HRM characteristics related to Ulrich (1997) focus areas

Themes	Target HRM characteristics	Number of interviewees who mentioned
STRATEGIC FOCUS		9
	Taking part of business planning and decisions	3
	Strategic thinking to HRM	4
	Strategic thinking to resource planning and forecasting	1
OPERATIONAL FOCUS		4
	Serve projects as a supporting function	1
	Highest quality performance in basic HR activities and	3
SYSTEMS		3
	Highest quality performance in basic HR activities and	3
PEOPLE		13
	Helping people in their everyday worklife	1
	More visible to organization	2
	Systematically develop people's competence	6
	Closer to people	4

Strategic Focus

A total of nine quotes were related to Strategic focus dimension. Based on the information from the interviews, it is clear that the HR function should act more strategically. The most raised issue mentioned four times, was bringing strategic thinking to human resource management.

“Of course we need to think about the HRM strategically. If we do not have the right people or can’t keep the right people in the company, we won’t have a great business.” (H4)

“The HRM should be extremely strategic. When we move closer to people and think about leadership in general, the HRM is one of the most important issues.” (H10)

“We need to get the HR function to think strategically, but on the other hand, we need to have the basic processes working. If either one is missing, we are missing a big piece of the puzzle.” (H14)

Bringing strategic thinking to resource planning was an issue raised specifically by one interviewee:

“We should have a strategic plan regarding what resources we need after 12 months or after 6 months. We need to think what kind of employees we need to develop from our current employees. I should be able to snap my fingers at the HR function and say that I need this kind of a person to this construction site in 4 months and get it done just like that. That will possibly never happen, but we should keep this in mind as the ultimate goal. (H4)

People

People dimension gathered the most amount of quotes, thirteen in total. Systematically developing people’s competence was the most raised issue, being mentioned by six interviewees.

“The new role of the HR function is to enable human resource development, and facilitate the increase of the competence level. The HR function should

constantly evaluate and monitor the development process of teams and individuals.”(H2)

“The main function of HRM should be to manage intangible assets; in this case human resource competence, and work to identify, develop and acquire it.” (H11)

“We have to look at it this way: human resource development should be the driver of everything, because if we do not have it, we are forever trapped in our current problems and spending all of our time solving them.” (H9)

Another key issue raised, was getting the HRM to move closer to people and the organization in general. This issue was mentioned by four interviewees.

“Fira was previously going ‘towards customers’, and now the focus is to go ‘towards people’... What else could be more important now than developing the HRM operations and focusing on our employees?” (H6)

“Construction industry companies are typically neither especially people friendly nor individual focused... I would personally like to work in an organization where these issues are very important... We talk about focusing on our clients as individuals, but maybe we should start considering our employees as individuals as well.” (H2)

Two interviewees demanded more visibility to the HRM.

Operational Focus & Systems

With the high emphasis on strategic focus and people, there is still a demand to have operational focus and excellence in basic operations. Three of the interviewees mentioned, that it is extremely important not to forget operational focus and systems, while the general direction is towards strategic thinking and people.

“It is important to get the basic operations running smoothly and to be more visible to the organization. That is the right direction.” (H13)

“The infrastructure in good shape and all operations running smoothly. That’s

one goal for sure.” (H1)

HRM Target Role Synthesis

To conclude, the HRM target role is strategic and people focused. There are still moderate operational and systems focus components, which are of course important. In the figure below, the relative number of quotes regarding a certain focus have been mapped on Ulrich’s HRM framework.



Figure 10: The target HRM's characteristics mapped on Ulrich's (1997) framework

Other themes that emerged from the interviews and their underlying issues are summarized in the table below:

Table 12: The characteristics of the target HRM

Themes	Target HRM characteristics	Number of interviewees who mentioned
ROLE		
	More than just a supporting function	3
	More decision power/influence	3
	HR should be core function of the organization	2
	More resources to HR	1
PERFORMANCE		
	Constantly measuring of the effects of actions taken to solve issues	1
	Identifying strategic competences and measuring their development in the organization	1
	Alignment of personal and team rewards/targets to support company success	2
CHARASTICS		
	Associated with one individual	1
	Strongly commanded by one person	1
IMPACT ON ORGANIZATION		
	Creating a culture that supports continuous people development.	3
	Realizing the full potential of each individual.	2
	Creating a culture that draws in and keeps industry's best people at Fira	3
	Develop right kind of future oriented language and terms for the organization	1
	Guide company culture development to right direction to "enabling culture"	1
ACITIVITIES		
	People friendly systems; No slowing unnatural or ineffective new systems/processes	3
	Develop continuous people/team development and measuring	3
	Making traditional HR activities useless by creating a culture that draws in people	1
	Develop a platform for best people to work with fira part time (Multiple earning streams)	1
	Develop and clarify organizational roles and responsibilities	1
	Focusing on fewer things at one time to increase efficiency and results	2
	Enable workforce rotation and movement	3
RESPECT		
	Respect increases through results	1

To summarize, the following quotes characterize the HRM's target role:

“If we think that we want to be the best in Europe in certain things, we need to get the best people to work for us, from the construction industry and from other industries as well... You cannot achieve top results with an average group of people.... The target of the HRM is to lure in the best talent and to develop our current people.” (H2)

“In this business everything is created only by human resources. Why on earth are we not paying more attention to the human resource management? In fact, the HR function should be the most important function in our company.” (H6)

4.1.3 HRM transformation process

In this study's case company, the demand for HRM transformation is evident. The focus areas of the current and the target HRM are highlighted in the graph below.



Figure 11: Current and target HRM mapped on Ulrich's (1997) framework

What does this mean for the HRM transformation project? In the case company the levels of strategic focus and people focus were minimal at the time of the interviews. In the case company's target HRM, strategic focus and people focus ought to be on a relatively high level. This means that the level of change demanded in these dimensions is huge. The transformation process is nothing but trivial when new focus and competences need to be developed with minimal history and experience.

On the other hand, the importance of systems and operational focus should decrease. Although it is given that HRM needs to play all roles and handle operational issues and systems, it is evident that with limited resources tradeoffs need to be made (Ulrich 1997).

4.2 The Key Factors of HRM Transformation

4.2.1 The HR Function's Internal Success Factors and Barriers

Table 13: The HR function's internal factors affecting HRM transformation

Themes	Factors identified by HRM literature	Factors identified by Strategy literature	Success factors identified	n	Barriers identified	n
HRM Internal						
HRM RESOURCES	Negative factor: Lack of business related competencies among HR function is makes it less likely to achieve strategic HRM (Sheehan 2005)		Strong resources pushing HR forwards	1		
	Negative factor: Inability to play role in the development and implementation of Corporate strategy (Lawler & Mohrman 2003, Beer 1997)					
	Negative factor: Lack of resources to take care of administrative functions as well as being a strategic partner (Lawler & Mohrman 2003)					
COMMUNICATION	Negative factor: Inability to identify and communicate when and where human capital makes a strategic difference and measure its impact. (Khan 2014)	Negative factor: Poor Vertical Communication (Beer & Eisenstat 2000)	Transparent and well communicated HR development strategy	1	Bad communication	1
	Positive factor: Efficient use of IT systems to build strategically valuable information (Lawler & Mohrman 2003)				Lack of transparency	1
HRM LEADERSHIP	Negative factor: Non-HR executive leading HR function (Lawler & Mohrman 2003)		HR presence in leadership team	1		
	Positive factor: HR manager in the management board (Sheehan 2005)					
HRM TRANSFORMATION STRATEGY	Negative factor: Incapability to identify and implement the changes required to support new roles and capabilities (Lawler & Mohrman 2003)		Building development path, sub targets to achieve long term vision of HR	4	Lack of strategic HR development, lack of prioritization	1
	Positive factor: Rotation of HR employees (Lawler & Mohrman 2003)		Building on solid foundation, taking care of urgent issues first	2	Lack of concrete actions of HR functions	1
	Positive factor: HRM increased focus on planning, organizational development and design (Lawler & Mohrman 2003)		Not too defined HRM development strategy, leaving room for adhoc in HR development	1	Wrong actions of HR function	1
			Prioritizing and planning change activities	1		

HRM Resources

Most of the literature-identified factors that have an impact on the HRM transformation project's success or failure are related to the HR function's internal competencies. This study found only a very small number of factors that were related to the HR function's competencies. This might be a result of bias in the case company, where the HR function has just recently acquired a large amount of new business competencies and strategy expertise. HR competency issues are hence possibly not seen as an issue for the case company.

“There needs to be a strong person showing direction, then things will go forward.” (H10)

Communication

Communication is seen as an important part of the HRM activities by both literature and this study. In total, three interviewees mentioned success factors and barriers that are related to communication. One interviewee saw a big risk in having unclear HRM communication.

“We need to have an HRM strategy that is clearly communicated and understood by everybody. The risk here is that we do nothing but just keep on repeating: “People are our most important asset”. I have heard this phrase in so many companies and it is just complete bullshit. In a way it is the truth, but it does not mean anything if nobody actually means it or does anything about it.” (H4)

HRM Leadership

HRM leadership is not viewed as a large factor at the case company, while literature finds it to be a major issue in the HRM transformation. This issue is probably resulted by the same phenomenon that resulted in HR function's internal competencies not being viewed as an issue. The case company already has a HR function with strong leadership and presence in the organization and this issue is not seen as a problem at the

moment.

“The HRM development was seen as such an important agenda, that Henri as a member of the leadership team was appointed to lead it. Before that HRM was not really on the agenda of the leadership board.” (H4)

HRM Transformation Strategy

Actual strategy related factors are the largest category of HR function related factors found in this study. The building of a development path and sub-targets were mentioned by four interviewees. Based on the interviews it was clear, that there is a culture of limited planning, which in this case was not seen as a positive factor in this project. Two interviewees also mentioned that it is an important success factor of the change project to develop HRM on a solid base.

“Certain things need to be in shape before we can go to the next level. For example, when half of the management team do not use development discussions, it is completely useless to start talking about competence development projects. We cannot build up if the base is leaking.” (H2)

“HRM should have a few strategic main themes for the next year and for the year after that. For the long term we should have targets only on a very general level. It is best to focus on a few issues at a time, and also leave room for ad-hoc issues and development” (H7)

4.2.2 The HR Function’s External Success Factors and Barriers

Table 14: The HR function's external factors affecting HRM transformation

Themes	Factors identified by HRM literature	Factors identified by Strategy literature	Success factors identified	n	Barriers identified	n
HRM External						
	Negative factor: HRM function's legacy as a hurdle to overcome (Becker & Huselid 2006)	Negative factor: Poor Coordination across Functions, Businesses and Borders	Building openness/transparency for change and interaction	3	Traditional Construction business thinking & attitude	2
ORGANIZATION CULTURE			Get people excited about HR	1	Organization resistance to change	2
					Too heavy workload for the whole organization/key people	2
					Bad time management of the whole organization	1
LEADERSHIP & MANAGEMENT						
	Negative factor: CEO's Lack of HRM understanding (Beer 1997)	Negative factor: Ineffective Senior Management team (Beer & Eisenstat 2000)	Top management supporting and showing the direction of the change with own example	7	Lack of consensus of the strategic direction of the company	1
	Negative factor: Lack of top management consensus (Bartram et al 2007; Lengnick-Hall et al. 2009)	Negative factor: Top-down or Laissez-Faire Senior Management style (Beer & Eisenstat 2000)	High Top level priority to HR development	2		
		Negative factor: Inadequate Down-the-line Leadership skills and development (Beer & Eisenstat 2000)	Getting middle managers committed to HR development	1		
		Negative factor: Unclear Strategies and Conflicting Priorities (Beer & Eisenstat 2000)	Top management consensus	1		
			HR KPI's as targets for each leadership team member	1		
ORGANIZATION ENGAGEMENT IN HRM ACTIVITIES						
	Positive factor: Organizational approaches that blur boundaries and unify teams (Lawler & Mohrman 2003)		Gathering input organization wide, HR responsible for decisions and implementation	4	Building commitment to HR importance through self realization, not through forcing	2
			Connecting employees across the organization, not just within teams	3	Lack off engagement with people working off site	2
			Involve whole organization in HR development	2	Lack of HR competence & understanding within whole organization	1
BUSINESS RELATED FACTORS						
					Restrictions of construction law and safety requirements	1
					Business model that does not offer development opportunities for people	1

Organization Culture

Organization culture was seen as a large factor in HRM transformation with a total of 11 mentions in the interviews. The main point raised, was the success factor of building openness/transparency to support change and interaction. This factor was mentioned by three interviewees.

“Transparency has always been our whole organization’s challenge. It is still a challenge, not just for HRM, but for all operations. How we interact, communicate and connect the surrounding organization to our work.” (H14)

“I see it as the most important issue, that the whole organization keeps its own work transparent, so that other employees can connect to it.... We need to build a more connected and open organization.” (H5)

Leadership & Management

Leadership and management factors were seen as very important. The most mentioned issue was that the top leadership’s support is an essential success factor. This factor was mentioned by seven interviewees.

“The top management has a really central role in the transformation, when we are talking about things that are new, unclear and uncertain. The top management needs to show strong leadership and avoid the organization to paralyze in front of the uncertain future.” (H5)

“It is extremely important to get certain line managers and team leaders to support and understand the change... The HR function cannot do the change just by itself.” (H2)

“The role of the management board is extremely important in HRM development. If HRM development is not ranked high on the agenda, it will not happen. (H4)

Engaging in HRM

Engaging the whole organization in HRM activities was seen as the most important

factor, mentioned 14 times by the interviewees. The organizational involvement in HRM planning and activities was seen as a core success factor. Inside this category, the most popular reference was that input for the HRM transformation should be gathered organization wide, while the actual decisions should be made by the HR unit.

“The input should come from the organization; what is going well, what needs more development, and what issues HRM should focus on. We should create that view together. But after that, HR function can take over and be in charge of the implementation of the change.” (H7)

“Of course we need to involve the organization and get input for the HRM change, but how much we should listen to people is another thing... It is always nice to talk and listen, but the people in the organization are not HR experts. The HRM people need to evaluate, if the things said by people make any sense.”

Business Related

There were a few business related barriers mentioned by the interviewees. These issues seemed as something that neither the organization nor the HR function can solve. The impact of these issues is estimated to be rather small, and they received only two mentions.

“Development of our HRM is related to our business model. If our business model does develop, it does not support and offer new development opportunities for our employees.”

4.2.3 The Overview of the HRM Transformation’s Key Factors

To summarize the findings, the table below presents the total number of mentions by category:

Implementation Factor Mentions by Category

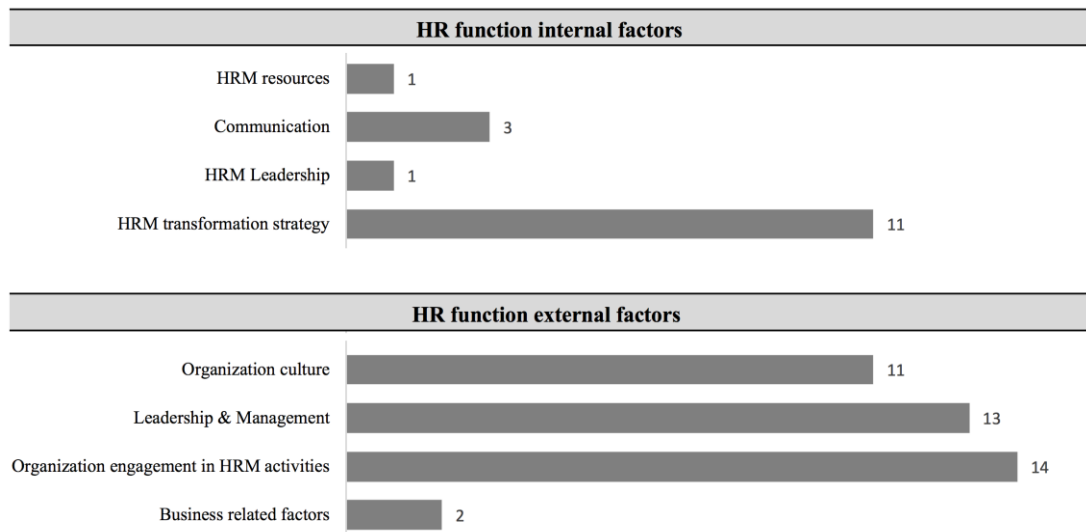


Figure 12: The number of HRM transformation factor mentions by category

It is clear, that most of the points raised by the interviewees are concentrated on HR function's external factors. Inside the HR function, the strongest focus should be on the *HRM transformation strategy*. Interestingly, factors related to *HRM leadership* and *HRM resources* are the two least mentioned categories, while they are seen as one of the most pressing issues in the HRM literature.

The *Organization engagement* category received the largest number of mentions, 14 in total. The second largest category was *Leadership and management*, that receive 13 mentions in total. Not far from these categories was *Organization culture*, with a total of 11 mentions. *Business related factors* -category received only 2 mentions.

5 DISCUSSION AND CONCLUSIONS

There is a large demand for HR function to step up its game and become a strategic partner in organizations around the world. The connection between SHRM and company performance is proven and there is generally a strong top management support for SHRM. Still the most companies that have tried to renew their HR function's role have failed to do so (Beer 1997). To understand the issues and to help HR functions to transform, the main research question of this study was formulated:

- How to successfully transform HRM to Strategic HRM?

The study aimed to answer the main research question with the help of three research sub-questions:

- What is the current role and the target role of HRM in the case company?

The first question was answered by literature research combined with empirical research. A new framework for assessing the current and the target HRM was developed, based on Ulrich's (1997) framework and literature review. The current role and the target role were then analyzed by conducting an empirical research. The empirical data was analyzed with the new framework and by grouping it to subcategories.

With the framework, the current role of HRM at the case company was identified to be extremely operational and system focused, while the strategic focus and people focus dimensions were rather minimal. In addition, HR function was viewed traditionally as an isolated unit serving the surrounding organization. The separate empirical data analysis highlighted reasons for the current role. The most referred point regarding the topic was that the recently very fast growing case company has not previously needed a strong HR function. Lack of resources for HRM was also seen as a major reason for the issue. The isolated role of HR function was also seen as a result of a rather conservative organization thinking of a typical construction company.

The target HRM was envisioned to be mostly people and strategy focused, people focus being the most important theme. There is still demand to maintain and develop excellence in operational issues and systems, while at the same time developing HRM

to be more people and strategy oriented. The transformation in the case company context is demanding, since the shift in focus is almost on all dimensions from the opposite end to another.

- What are the success factors and barriers for Strategic HRM transformation identified by the literature?

In the HRM literature, Strategic HRM transformation is mostly seen as a HR function related operation, with high emphasis on the HR unit's competences. The main issue raised by HRM literature is that HR functions usually struggle to reach a strategic role due to the lack of business and strategic competence, thus failing to be a strategic unit in the organization.

Looking at the transformation from the perspective of general strategy implementation, the issues with implementation are mostly related to management and leadership in general. To summarize, implementation projects generally fail or succeed due to management actions. Even the other factors within organization are derived from management actions. The most central pressing issues in strategy related management factors are conflicting priorities and opinions within management, which lead to emerging of other organization wide barriers.

- What are the success factors and barriers for HRM transformation in the case company context?

The empirical study conducted, found various success factors and barriers for HRM transformation. All factors were categorized to HR function internal and external factors. Interestingly, most factors raised by the interviewees were factors not linked directly to the HR unit. This finding suggests that HRM transformation is largely not just in the hands of the HR unit. To generalize, the surrounding organization defines the fate of the HR unit, rather than HR function itself. This resembles Ulrich's (1997) notion, that the surrounding organization needs to take stronger responsibility of HRM when the HR unit becomes more strategic. It can be viewed, that if the organization refuses to take responsibility in HRM, the transformation will not happen.

This study confirms, that HRM transformation can indeed be perceived as a strategy

implementation project, where general “strategy killers” play a central role. It can even be argued, that the organization has a more central role in making the SHRM transformation successful, than the HR function itself. One factor raised by strategy literature (Beer & Eisenstat 2000), HRM literature (Beer 1997) and the empirical research is the top management consensus and understanding. This indicates that the top management has a strong role in either enabling or disabling the transformation.

5.1 Theoretical Contributions

Theoretical contribution of this study is manifold: First, the study introduces a new framework for assessing the HR function’s current and the target role. The framework is based on Ulrich’s (1997) framework, while taking the illustrative framework to actual measurable use.

Secondly, the study concludes a unique combination of literature, combining Strategic HRM literature with strategy implementation literature. The study suggests that generic strategy implementation factors play a role in HRM transformation process. HRM is not a HR unit level issue and it should be treated as an organization wide project.

Thirdly, the study’s empirical research introduces a new view to the very little researched Strategic HRM transformation process. The empirical findings suggest that the HRM transformation is largely a whole organization wide transformation issue, rather than the HR unit’s internal project. The implication of these findings is that we can strongly suggest that the role of HR function external factors is largely overlooked by existing HRM literature.

Based on the insight gained through the analysis, three propositions are presented:

Proposition 1: The organization and line management need to get involved in HRM in order to allow HR function to act strategically.

The HR function cannot adopt Strategic HRM practices, unless it can unload some of the administrative HRM work to the line managers and the surrounding organization. This way line managers and the organization play a key role in the HRM transformation.

Proposition 2: The organizational level shared understanding and engagement are key success factors of HRM transformation.

In order for HR function to get involved in strategic issues, it needs to make the whole organization understand the importance of HRM and the new role of HR function. The days of dumping all the administrative work to the HR unit need to end in order to enable the transformation. The organization needs to understand the HR unit's new role and assume new processes to handle administrative issues.

Proposition 3: The key activity in SHRM is to facilitate capability development for organizational learning and development.

When the HR unit can practice Strategic HRM, its most important goal is to develop capability for organizational learning and development. In the fast-paced and constantly changing business world, the capability to learn and change becomes the most important asset and success factor.

In addition to these propositions, it was found that especially “Organization Culture”, “Leadership and Management” and “Organization Engagement” are expected to play a strong role in the SHRM transformation project. More research is needed to validate the applicability of these propositions in the general population of companies. These propositions still provide a sound basis for the future theory development.

5.2 Managerial Implications

The framework for assessing the current and the target role of HRM provides management a systematic way to assess the current situation, progress and change of HRM. The assessment of the current role and the target role can and should be conducted periodically. By visually presenting the current and the target situation, the need of change can be communicated clearly and quickly to the whole management and organization. Building shared understanding of HRM issues within the management team and the organization is clearly beneficial when making decisions and implementing them. For the case company, the study conducted delivers a quick and a clear view to the current situation of the company's HRM.

The study also delivers a new concrete view to Strategic HRM transformation projects.

The HRM change should be viewed as a whole organization level strategic project, rather than as a HR function's internal project. This implies that the project should receive management level attention and commitment. In the context of the case company, more emphasis should clearly be put on the HRM change project by management, rather than leaving the project to be a responsibility of the HR unit.

As concrete suggestions, models for the organization's engagement in HRM should be developed, and success in engaging the whole organization should be constantly measured. This could be done for example by measuring each employee's hourly commitment to HRM activities and requiring certain monthly target levels.

The organization culture development should be started immediately. The organization culture should be analyzed and analytically developed to support a stronger HR function. The key success factor to the culture development is the raising of awareness, transparency and openness inside the organization.

The leadership team needs to evaluate its own role and actions in the SHRM transformation. The leadership team is required to drive the change and speak with one voice, fully supporting the HRM transformation. To do this, the opinions and agendas of various managers need to be aligned. This can be done for example by introducing HRM related incentive programs to all managers.

5.3 Limitations and Avenues for Future Research

The study has a few limitations that are related to the universal applicability and reliability of the results. Most of these limitations are derived from the chosen research method, a single case study. The single case study method is still the best-suited method for this kind of study that required deep understanding of the thoughts and fundamentals.

The first limitation is the universal applicability of the results. Since the research was conducted as a single case study for a single company, the company might not represent the general population of companies. In addition, the current situation in the company regarding the topic might have an effect on the results. The company was in the beginning of the HRM transformation process, which might lead to the results not being generalizable to other contexts. Similar research of the factors affecting the

transformation process would be beneficial to do also after a certain period of time. Then the estimated and realized factors could be compared to each other and a more robust analysis could be conducted. This is one of the suggestions for further research.

The second limitation is the reliability of the research. The issues regarding the reliability can be a result of having only one researcher or inaccurate data collection methods. Having only a single researcher can create strong bias that cannot be seen by the researcher himself. The researcher could be biased by working for the case company, which was not the case in this study. Interviews as a data collection method can also limit the reliability, since the interviewer can accidentally lead the interviewee to emphasize some issues more than others with leading questions.

Avenues for future research:

1. Expected HRM transformation factors compared to realized factors?

As pointed earlier, this study looked at the case company HRM transformation process factors in a single point of time, in this case in the beginning of the HRM transformation process. It would be interesting to evaluate, what is the evolution of factors affecting the process. A similar kind of study could be conducted during and after the HRM transformation process.

2. How to design the SHRM transformation process?

Although this research provides insight into transformation process success factors and barriers, the approach to designing the transformation process is left out of the scope. How to tackle all the known barriers and constantly employ the success factors? More research regarding the actual plan of the process would be beneficial.

3. The role of outsourcing when moving towards SHRM

As raised by Lawler & Mohrman (2003), the lack of resources is a barrier for the HR unit to become a strategic partner in an organization. On the other hand, this lack of resources can easily be tackled by outsourcing less strategic parts of the HRM work. What parts of the HRM work are then less strategic, and how can they be outsourced without losing quality and control? This topic would require further research.

4. The role of line management when moving towards HRM

Ulrich (1997) points out that when HRM becomes strategic, more of the HRM work falls into the hands of the line management. How to manage this work and what work should be sourced to the line management? How to maintain control when work is sourced to outside the HR department? What to outsource and what to distribute to the line managers?

6 REFERENCES

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7 APPENDIX I: INTERVIEW AGENDA (IN FINNISH, ORIGINAL)

Oma rooli

- **Kerro omasta taustastasi**
 - ☐ Koulutus
 - ☐ Edelliset tehtävät muualla
 - ☐ Edelliset tehtävät Firalla
- **Kerro omasta roolistasi Firalla**
 - ☐ Titteli
 - ☐ Yleinen vastuu ja tehtävät
 - ☐ Tärkeimmät tavoitteet
 - ☐ Seuratut mittarit
 - ☐ Päivittäisen toiminnan tehtävät

Firan strateginen suunta

- **Kerro Firan strategisesta suunnasta ”next phase” vaiheeseen liittyen?**
 - ☐ Näkemys Firan strategiasta
- **Kerro miten omasta mielestä Firan strateginen muutos vaikuttaa organisaatioon?**
 - ☐ Muutoksia johtamistasolla
 - ☐ Muutoksia työntekijätasolla
 - ☐ Muutoksia HR-yksikön tasolla

HR:n rooli

- **Minkälainen asema ja rooli HR:llä on Firalla perinteisesti (=ennen) ollut?**
- **Miten HR:n asema ja rooli ovat kehittyneet Firalla viimeaikoina?**
- **Minkälainen HR:n roolin tulisi olla Firalla next phasessa?**

Kaikissa näissä kohdissa:

- ☐ Tekemisen prioriteetit? (Hallinto vs Strategia / Systeemit vs Ihmiset)?
- ☐ Tekemisen mittarit?
- ☐ Kompetenssi HR:n sisällä?
- ☐ Arvostus HR:n tekemistä kohtaan?
- ☐ HR:n vaikutusvalta / osallistuminen yrityksen liiketoimintaan (Strategian luonti)?

HR:n muutos

- **Miten Firan vanhasta perinteisestä HR:stä päästään tavoiteltuun Firan ”next phasen” HR:än?**
 - ☐ Kuka vastaa muutoksesta?
 - ☐ Ylimmän johdon rooli muutoksessa?
 - ☐ HR-tiimin rooli?
 - ☐ Organisaation rooli?
- **Mitkä ovat suurimpia HR:n muutoksen potentiaalisia esteitä tai hidasteita?**
 - ☐ HR:n oman toiminnan aiheuttamia esteitä
 - ☐ Organisaation toiminnan aiheuttamia esteitä
 - ☐ Yleisiä strategisen projektin läpiviennin esteitä

Oma rooli HR:n liittyen

- **Miten näet oman roolisi liittyvän HR:n?**
 - ☐ Omat tehtävät joissa on
- **Miten näet HR:n muutoksen vaikuttavan omaan rooliin ja työhösi Firassa?**
 - ☐ Uusia prioriteetteja?
 - ☐ Uusia tehtäviä?
 - ☐ Valtaa muille?
- **Miten näet oman roolisi HR:n muutosprosessissa?**
 - ☐ Ei roolia vai aktiivinen rooli?
- **Pystytkö omassa roolissasi omasta mielestäsi vaikuttamaan Firan HR:n muutoksen onnistumiseen? Miten?**

Aputeemoja BCG:n tutkimuksesta tueksi haastatteluun:

- Kyvykkyyksien kehittäminen ja johtaminen
- Strateginen henkilöstöresurssien suunnittelu ja raportointi
- Organisaation kulttuurin kehittäminen
- Henkilöstön tiedottamisen hallinta
- Palkitsemisen hallinta ja kehittäminen
- HR organisaation ja strategian kehittäminen
- Kouluttaminen ja ihmisten kehittäminen
- Rekrytointi
- Työn kustannusten ja joustavuuden suunnittelu

8 APPENDIX II: INTERVIEW AGENDA (IN ENGLISH, TRANSLATED)

Own role

- **Describe your background**
 - ☐ Education
 - ☐ Employment history
 - ☐ Previous roles and responsibilities at Fira
- **Describe your current role at Fira**
 - ☐ Job title
 - ☐ Responsibilities and tasks
 - ☐ Main goals and targets
 - ☐ Measurement of success
 - ☐ Typical work day description

Fira's strategic direction

- **Describe Fira's strategic direction related to "next phase" thinking?**
 - ☐ Description of Fira's strategy
- **Describe your view to how Fira's strategic direction will impact the organization?**
 - ☐ Changes on the leadership level
 - ☐ Changes on the employee level
 - ☐ Changes in the HR function

The role of HR function

- **What kind of role has HR function has had at Fira traditionally?**
- **How have the role and status of HR function at Fira developed recently?**
- **What kind of role should HR function have in Fira's next phase?**

In all these questions:

- ☐ Priorities of work (Administration vs Strategy / Systems vs people)?
- ☐ Measurement of success?
- ☐ Competence in HR function?
- ☐ Respect of HR function in the organization?
- ☐ The decision making power and participation of the HR function in business related issues?

Transformation of HRM

- **How do we get from traditional HRM of Fira to the HRM needed for next phase Fira?**
 - ☐ Who is responsible for the transformation?
 - ☐ The role of the leadership team in transformation?
 - ☐ The role of the HR function in the transformation?
 - ☐ The role of the organization in the transformation?
- **What are the biggest potential barriers of HRM transformation?**
 - ☐ Barriers caused by the HR function itself
 - ☐ Barriers caused by the organization
 - ☐ General strategy implementation barriers

Own role related to HRM

- **How do you see your role being related to HRM**
 - ☐ Own tasks related to HRM
- **How do you see the transformation of HRM to impact your role and work at Fira?**
 - ☐ New priorities?
 - ☐ New tasks?
 - ☐ New responsibilities?
- **How do you see your own role in the HRM transformation process?**
 - ☐ Active role or non-active role?
- **Do you see yourself being able to contribute to HRM transformation process success? How?**

Supporting example themes from BCG research to support interviewee:

- Development and management of competence
- Strategic planning and reporting of Human resources
- Organization culture development
- Organization communication management
- Management and development of rewarding
- Development of HR function and its strategy
- People training and development
- Recruiting
- Management of work costs and flexibility